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**BEFORE THE INSURANCE COMMISSIONER  
OF THE STATE OF WASHINGTON**

In the Matter of

THE APPLICATION REGARDING  
THE CONVERSION AND  
ACQUISITION OF CONTROL OF  
PREMERA BLUE CROSS AND  
ITS AFFILIATES

No. G02-45

PRE-FILED DIRECT TESTIMONY  
OF RICHARD A. ASHLEY

I, Richard A. Ashley, do hereby declare that the following facts are personally known to me and, if called upon to do so, I would testify to them.

1. I am now, and at all times pertinent herein was, a citizen of the United States and a resident of the State of Pennsylvania, over the age of eighteen (18) years, and competent to testify in a court of law.

2. I am a tax partner with PricewaterhouseCoopers, LLP ("PwC"). PwC contracted with the OIC Staff to assist in the analysis and evaluation of the application submitted by Premera.

3. I have attached to this instrument as Exhibit "S-11" a copy of my current curriculum vitae that summarizes my credentials and expertise.

4. In connection with PwC's obligations under its contract with the OIC Staff, I participated in preparing three reports pertaining to my areas of expertise which contain my conclusions. I have attached to this instrument the following documents containing my observations and conclusions:

1           a.     Exhibit "S-9" which is a copy of a final report entitled "Accounting &  
2 Tax Evaluation of the Proposed Conversion of Premera Blue Cross of Washington" as  
3 of February 26, 2003, except 2003 information which is August 29, 2003. I  
4 participated in the preparation of a portion of this report.

5           b.     Exhibit "S-12" which is a copy of a final report entitled "Report to the  
6 Washington State, Office of Insurance Commissioner on Tax Matters in Connection  
7 with the Proposed Conversion of Premera" dated October 27, 2003. I participated in  
8 the preparation of a portion of this report.

9           c.     Exhibit "S-13" which is a copy of a supplemental report taking into  
10 consideration Premera's revisions to its Form A Statement that were submitted on  
11 February 5, 2004 entitled "Report to the Washington State, Office of Insurance  
12 Commissioner on Tax Matters in Connection with the Proposed Conversion of  
13 Premera: Report Addendum" dated February 27, 2004. I participated in the  
14 preparation of a portion of this report.

15           5.     My responsibility in the preparation of the reports was, and therefore my  
16 testimony is, limited to participation in the preparation of the following pages: (1) For  
17 Exhibit "S-9," pages 78 through 82; for Exhibit "S-12," pages 1 through 23; and for  
18 Exhibit "S-13," pages 1 through 5.

19           6.     Exhibits "S-9," "S-11," "S-12," and "S-13" are incorporated herein as if  
20 set forth verbatim.

21           7.     In addition to the above, I submit the following:

22           a.     At this time PwC has not been provided with revised tax opinions from  
23 Ernst & Young and, therefore, is not in a position to comment on whether such  
24 opinions are satisfactory. However, since the Plan of Conversion requires that Premera

1 provide such opinions at least five business days prior to the Form A hearing, PwC  
2 should have the opportunity to review such opinions prior to the hearing and, therefore,  
3 comment on them at the hearing, if the need arises.

4 b. Please note that the statement on page 19 of Exhibit "S-12" that "(t)he  
5 premium tax rate on Alaska premiums will be increased from the present rate of 2  
6 percent to 2.7 percent as a result of the Conversion Transaction" will not apply to  
7 premiums related to Alaska state employees.

8 I declare under penalty of perjury under the laws of the State of Washington  
9 that the foregoing is true and correct.

10 Dated March 30, 2004 at London, England.

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12   
13 RICHARD A. ASHLEY  
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